

De.mem Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	De.mem Limited
ABN:	12 614 756 642
Reporting period:	For the half-year ended 30 June 2021
Previous period:	For the half-year ended 30 June 2020

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	44.1% to	9,149,673
Profit/(loss) from ordinary activities after tax attributable to the owners of De.mem Limited	down	13.5% to	(1,699,199)
Profit/(loss) for the half-year attributable to the owners of De.mem Limited	down	13.5% to	(1,699,199)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Brief explanation of above figures

De.mem's revenues were approx. \$9.1 million during H1 2021, up by approx. 44% from \$6.3 million in H1 2020.

The strong revenue growth was driven by the Company's recurring revenue segments, in particular its German operations via De.mem-Geotec GmbH and the execution of existing and new orders for water and waste water treatment equipment in Australia.

Along with the growing revenues and continued focus on high-margin, recurring revenue segments, the Company's gross margin increased from approx. 32% in calendar year 2020 to approx. 34% in H1 2021.

De.mem reported a net loss after taxes during the reporting period of approx. \$ -1.7 million, reduced by about 14% vs. H1 2020 (H1 2020: \$-2.0 million). This includes approx. \$ 0.5 million in non-cash expenses, mainly from amortization and depreciation.

De.mem ends the period with cash balances and short term deposits of approximately \$9.9 million as of 30 June 2021.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>4.94</u>	<u>3.73</u>

De.mem Limited
Appendix 4D
Half-year report

4. Controlled Entities

<i>Parent entity</i>	Country of Incorporation	Principal Activities	Ownership
De.mem Limited	Australia	Parent	
<i>Name of Controlled Entity</i>			%
De.mem-Akwa Pty Ltd	Australia	Water and waste water treatment	100.00%
Akwa Facility Maintenance Pty Ltd	Australia	Water and waste water treatment	100.00%
De.mem Pte Ltd	Singapore	Water and waste water treatment	100.00%
De.mem Vietnam Ltd	Vietnam	Technical Advisory services	100.00%
De.mem-Pumptech Pty Ltd	Australia	Water and waste water treatment	100.00%
De.mem-Geutec GmbH	Germany	Water and waste water treatment	75.00%
De.Mem-Capic Pty Ltd	Australia	Water and waste water treatment products	100.00%

Control gained over businesses

On 1 April 2021, the Company announced the acquisition of the Capic business, being the assets and liabilities of the business at the date of acquisition. Capic is a well established, Perth-based supplier of “high value add” specialty chemicals with a high-quality institutional customer base including BHP Billiton, Northern Star, Pilbara Minerals and Iluka Resources.

The Company acquired the Capic business for \$4,572,645 total consideration, comprising the issue of 3,196,773 fully paid ordinary shares at a price of \$0.3222 per share, a net cash settlement of \$3,180,082 and the fair value of deferred contingent consideration of \$362,564.

The acquired business contributed revenues of \$957,713 and loss after tax of \$183,287 to the consolidated entity for the period from the date of acquisition to 30 June 2021.

5. Details of associates

Name of associate / joint venture	Reporting entity's percentage holding	
	Reporting period %	Previous period %
Aromatec Pte Ltd	31.56%	32.00%

6. Independent Review Report

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Consolidated Interim Financial Report.

7. Signed

Signed _____



Date: 30 August 2021

Mr Andreas Kroell
Chief Executive Officer and Director
Melbourne

For personal use only

De.mem Limited

ABN 12 614 756 642

Consolidated Interim Financial Report - 30 June 2021

For personal use only

De.mem Limited
Corporate directory
30 June 2021

Directors	Cosimo Trimigliozzi - Non-Executive Chairman Andreas Kroell - Chief Executive Officer and Director Bernd Dautel - Non-Executive Director Stuart Carmichael - Non-Executive Director Michael Edwards - Non-Executive Director
Co-company secretaries	Mr Tony Panther Ms Patricia Vanni
Registered office	Level 4, 96-100 Albert Road South Melbourne VIC 3205 Australia Phone: (03) 9692 7222
Principal place of business	Level 4, 96-100 Albert Road South Melbourne VIC 3205 Australia Phone: (03) 9692 7222
Share register	Link Market Services Limited Level 12, 680 George Street Sydney NSW 2000 Australia Phone: +61 1300 554 474
Auditor	William Buck Level 20, 181 William Street Melbourne Vic 3000 Australia Phone: (03) 9824 8555
Solicitors	HopgoodGanim Lawyers Level 27, Allendale Square 77 St Georges Terrace Perth, WA, 6000 Australia
Bankers	Westpac Bank Perth
Stock exchange listing	De.mem Limited shares are listed on the Australian Securities Exchange (ASX code: DEM)
Website	www.demembranes.com

De.mem Limited
Contents
30 June 2021

Directors' report	3
Auditor's independence declaration	7
Consolidated statement of profit or loss and other comprehensive income	8
Consolidated statement of financial position	9
Consolidated statement of changes in equity	10
Consolidated statement of cash flows	11
Notes to the consolidated financial statements	12
Directors' declaration	19
Independent auditor's review report to the members of De.mem Limited	20

For personal use only

Review of operations and financial position

Overview

De.mem Limited (the "Company") offers "one-stop-shop" water treatment products and services to industrial customers – ranging from the supply of different types of water treatment equipment, chemicals, pumps and hydraulic components, membranes, filters and consumables to the provision of Build, Own, Operate ("BOO") and operations & maintenance services related to water treatment facilities. The Company operates in the mining & resources, municipal & infrastructure, food & beverage and other industrial segments.

De.mem's core product lines are membrane-based water treatment plants, based on a proprietary intellectual property portfolio of innovative membrane technologies developed and manufactured in Singapore.

The Company's main target market during the half year ended 30 June 2021 ("H1 2021") was Australia, where the company operates through its 100% owned subsidiaries De.mem-Akwa Pty Ltd, Caboolture, Queensland, De.mem-Pumpstech (formerly: Pumpstech Tasmania Pty Ltd), Launceston, Tasmania, and De.mem-Capic Pty Ltd, Perth, Western Australia.

In Singapore, De.mem collaborates with Nanyang Technological University ("NTU") in technology research and product development. It has licensed a range of membrane-based technologies from NTU, which it manufactures in its Singapore factory and commercializes as a key component of its integrated water treatment systems. De.mem also operates in Germany and Europe via its 75%-owned subsidiary De.mem-Geutec, Essen, Germany, which specializes in waste water treatment chemicals for industrial applications and customers.

On 1 April 2021, De.mem completed the acquisition of the assets of the Capic business in Perth, Western Australia, a Perth-based supplier of high value add specialty water treatment chemicals to blue chip mining customers. The "asset deal" was formally completed on 1 April 2021, through De.mem's newly established subsidiary De.mem-Capic Pty Ltd, Perth, Western Australia. With the acquisition, De.mem enters the strategically important market of Western Australia. The key rationale for the acquisition is the substantial cross-selling opportunity of De.mem's advanced membrane products into Capic's Western Australian customer base, and, vice versa, Capic's specialty chemicals products such as antiscalants and membrane cleaners.

With the completion of the Capic acquisition, De.mem is uniquely positioned to provide Build, Own, Operate ("BOO") schemes to industrial clients in Australia, Singapore and internationally. The BOO offering combines De.mem's extended range of capabilities, from its advanced, proprietary membrane technology to the provision of operations & maintenance services and the supply of in-house Australian-manufactured anti-scalants and membrane chemicals required during operations.

Operations

De.mem saw significant revenue growth during H1 2021, driven by the execution of existing and new orders for water treatment equipment in Australia and the strong growth of the Company's German operations (via De.mem-Geutec GmbH).

De.mem-Geutec GmbH, Germany, revenues grew by approx. 46% (in A\$) to A\$ 1.48 million in H1 2021, up from A\$ 1.01 million in H1 2021. Growth resulted from extend sales of the Company's wider product range into its existing customer base in Germany.

Furthermore, during H1 2021, De.mem commissioned to important BOO projects in Singapore, which had previously been awarded to the Company. Both water treatment facilities are now fully operational and generate revenues for De.mem.

The first project relates to a BOO Agreement originally announced on 25 November 2019 (see ASX release, De.mem signs \$1.7m BOO agreement). The containerized waste water treatment plant was designed, built and commissioned and is now operated & maintained by De.mem under the long term BOO Agreement with a leading multinational corporation from the food & beverage sector. The system treats waste water from one of the client's facilities in Singapore to regulatory discharge standards.

The second BOO agreement was signed by De.mem on 10 September 2020 (see ASX release, De.mem signs \$800,000 Build, Own, Operate contract). Under the contract, De.mem provides and services a waste water treatment system deployed at another manufacturing facility of the same customer.

Financials

De.mem's revenues were approx. \$9.1 million during H1 2021, up by approx. 44% from \$6.3 million in H1 2020.

**De.mem Limited
Directors' report
30 June 2021**

The strong revenue growth was driven by the Company's recurring revenue segments, in particular De.mem-Geutec GmbH (see "Operations"), and the execution of existing and new orders for water and waste water treatment equipment in Australia.

Along with the growing revenues and continued focus on high-margin, recurring revenue segments, the Company's gross margin increased from approx. 32% in calendar year 2020 to approx. 34% in H1 2021.

De.mem reported a net loss after taxes during the reporting period of approx. \$ -1.7 million, reduced by about 14% vs. H1 2020 (H1 2020: \$-2.0 million). This includes approx. \$ 0.5 million in non-cash expenses, mainly from amortization and depreciation.

De.mem ends the period with cash balances and short term deposits of approximately \$9.9 million as of 30 June 2021.

Impact of Covid-19

The Covid-19 pandemic created a challenging macroeconomic environment for the water treatment industry in general, and for most of De.mem's key target sectors. Operationally, De.mem implemented detailed policies and procedures to mitigate Covid-19 risk. The company continues to closely monitor the situation and respond to any changes as they occur. So far, the financial impact of Covid-19 on the company's recurring revenue segments, in particular the existing service (Operations & Maintenance) contracts as well as the contracted projects, has been limited, with all material contracts remaining in full effect.

Corporate

On 25 May 2021, De.mem Limited held its fifth Annual General Meeting, with all resolutions being passed

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of De.mem Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2021.

Directors

The following persons were directors of De.mem Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Cosimo Trimigliozi - Non-Executive Chairman
Andreas Kroell - Chief Executive Officer and Director
Bernd Dautel - Non-Executive Director
Stuart Carmichael - Non-Executive Director
Michael Edwards - Non-Executive Director

Principal activities

De.mem Limited (ASX:DEM) is an Australian-Singaporean de-centralised water and waste water treatment business that designs, builds, owns and operates water and waste water treatment systems for its clients. Established in 2013, the company has offices in Australia, Singapore, Vietnam and Germany.

De.mem operates in the industrial segment providing systems and solutions in particular to customers from mining, electronics, chemicals, oil and gas and food and beverage industries as well as in the municipal and residential segments. Customers include leading multinational corporations in their respective industries and municipalities and government organizations from the different countries.

Review of operations

Refer to the Review of Operations in the preceding section.

Significant changes in the state of affairs

On 23 March 2021, the Company issued 32,142,856 fully paid ordinary shares at an issue price of \$0.28 per share, through a Placement as announced on 17 March 2021.

**De.mem Limited
Directors' report
30 June 2021**

On 31 March 2021, the Company acquired the Capic business, which was structured as a legal asset acquisition agreement. Capic is a well established, Perth-based supplier of "high value add" specialty chemicals with a high-quality institutional customer base including BHP Billiton, Northern Star, Pilbara Minerals and Iluka Resources.

The maximum total consideration for the acquisition of the Capic Business' net identifiable assets is \$5.1 million, comprising up to \$3.7 million cash and up to \$1.4 million in shares, as follows:

Base acquisition consideration:

Base Acquisition Consideration of \$4.4 million payable upon completion of acquisition, comprising \$3.4m cash and \$1.0m DEM shares (issued at 30-day VWAP as at the the day prior to this announcement). All shares issued to the vendor will be under voluntary escrow for a period of 24 months from completion; and

Contingent consideration:

Contingent consideration of \$750 thousand, comprising three separate settlements of \$250 thousand each, payable 50% in cash and 50% in De.mem shares, subject to the satisfaction of revenue milestones. Settlement of the contingent consideration achieved will be made in accordance with the terms of the acquisition agreement and if achieved will take place in Q1 2022, 2023 and 2024, respectively.

The revenue milestone criteria are as follows:

Milestone 1: Revenue growth of at least 15% in the 12 months ended 31 December 2021 as compared to the 12 months ended 31 December 2020;

Milestone 2: Revenue growth of at least 35% in the 12 months ended 31 December 2022 as compared to the 12 months ended 31 December 2020;

Milestone 3: Revenue growth of at least 60% in the 12 months ended 31 December 2023 as compared to the 12 months ended on 31 December 2020.

At the date of acquisition, management has assessed the likelihood of achieving the aforementioned contingent future consideration and have recognised a contingent liability in accordance with AASB 3 Business Combinations.

On 31 March 2021, the Company issued 3,196,773 fully paid ordinary shares at an issue price of \$0.3222 per share, to the vendor of the Capic business, as announced on 1 April 2021.

On 21 April 2021, the Company issued 5,749,934 fully paid ordinary shares at an issue price of \$0.28 per share, as part of a Share Purchase Plan.

On 25 June 2021, the Company announced that Ms Melanie Leydin will step down as appointed Company Secretary and Mr Anthony Panther and Ms Patricia Vanni appointed in the position of joint company secretaries.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

De.mem Limited
Directors' report
30 June 2021

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001. The directors have the power to amend and reissue the financial statements.

On behalf of the directors



Mr Andreas Kroell
Chief Executive Officer and Director

30 August 2021
Melbourne

For personal use

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE DIRECTORS OF DE.MEM LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 30 June 2021 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

William Buck
William Buck Audit (Vic) Pty Ltd
ABN 59 116 151 136



N.S. Benbow
Director

Melbourne, 30 August 2021

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

De.mem Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2021

	Consolidated	Consolidated
	30 June 2021	30 June 2020
	\$	\$
Revenue	9,149,673	6,347,419
Cost of sales	<u>(6,011,969)</u>	<u>(4,288,649)</u>
Gross profit	<u>3,137,704</u>	<u>2,058,770</u>
Other income	<u>86,487</u>	<u>442,671</u>
Operating profit	3,224,191	2,501,441
Administration and corporate expenses	(4,274,373)	(3,618,095)
Finance income	4,399	18,843
Finance costs	(67,437)	(46,276)
Share based payments	(27,249)	(209,550)
Depreciation and amortisation	(438,822)	(296,497)
Capital raising costs	-	(280,800)
Business acquisition costs	(46,671)	-
Share of loss on investment in associate	<u>(15,203)</u>	<u>(13,266)</u>
(Loss) before income tax expense	(1,641,165)	(1,944,200)
Income tax expense	<u>(17,950)</u>	<u>(39,694)</u>
(Loss) after income tax expense for the half-year	(1,659,115)	(1,983,894)
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Foreign currency translation	<u>119,719</u>	<u>80,968</u>
Other comprehensive income for the half-year, net of tax	<u>119,719</u>	<u>80,968</u>
Total comprehensive (loss) for the half-year	<u>(1,539,396)</u>	<u>(1,902,926)</u>
Profit/(loss) for the half-year is attributable to:		
Non-controlling interest	40,084	(18,660)
Owners of De.mem Limited	<u>(1,699,199)</u>	<u>(1,965,234)</u>
	<u>(1,659,115)</u>	<u>(1,983,894)</u>
Total comprehensive income/(loss) for the half-year is attributable to:		
Non-controlling interest	40,018	(18,253)
Owners of De.mem Limited	<u>(1,579,414)</u>	<u>(1,884,673)</u>
	<u>(1,539,396)</u>	<u>(1,902,926)</u>
	Cents	Cents
Basic loss per share	(0.86)	(1.12)
Diluted loss per share	(0.86)	(1.12)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

De.mem Limited
Consolidated statement of financial position
As at 30 June 2021

		Consolidated	
	Note	30 June 2021	31 December 2020
		\$	\$
Assets			
Current assets			
Cash and cash equivalents	5	9,238,801	4,638,117
Trade and other receivables	6	3,154,894	1,494,644
Inventories		891,520	406,397
Other currents assets - term deposits		592,865	423,250
Prepayments		69,189	31,192
Contract assets		831,534	406,847
Other assets		66,907	135,234
Total current assets		<u>14,845,710</u>	<u>7,535,681</u>
Non-current assets			
Investment in associate		-	9,135
Property, plant and equipment		2,262,992	1,344,140
Right-of-use assets		539,377	430,068
Intangibles		5,339,919	1,544,401
Term deposits		180,461	359,263
Total non-current assets		<u>8,322,749</u>	<u>3,687,007</u>
Total assets		<u>23,168,459</u>	<u>11,222,688</u>
Liabilities			
Current liabilities			
Bank overdraft		79,744	-
Trade and other payables		4,328,261	3,072,276
Contract liabilities		251,755	109,509
Borrowings		264,716	94,736
Lease liabilities		203,787	237,098
Employee benefits		732,805	572,350
Deferred consideration payable for business acquisitions		275,000	-
Total current liabilities		<u>6,136,068</u>	<u>4,085,969</u>
Non-current liabilities			
Deferred consideration payable for business acquisitions		387,564	150,000
Borrowings		251,704	-
Lease liabilities		232,210	230,604
Employee benefits		23,377	26,855
Provisions		-	14,693
Total non-current liabilities		<u>894,855</u>	<u>422,152</u>
Total liabilities		<u>7,030,923</u>	<u>4,508,121</u>
Net assets		<u>16,137,536</u>	<u>6,714,567</u>
Equity			
Issued capital	7	34,988,867	24,053,751
Reserves		723,747	576,781
Accumulated losses		(19,615,112)	(17,915,981)
Equity attributable to the owners of De.mem Limited		<u>16,097,502</u>	<u>6,714,551</u>
Non-controlling interest		40,034	16
Total equity		<u>16,137,536</u>	<u>6,714,567</u>

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

De.mem Limited
Consolidated statement of changes in equity
For the half-year ended 30 June 2021

Consolidated	Issued capital \$	Foreign currency translation reserve \$	Share based payment reserve \$	Accumulated losses \$	Non- controlling interest \$	Total equity \$
Balance at 1 January 2020	24,021,251	(161,594)	712,445	(15,054,756)	10,831	9,528,177
Profit/(loss) after income tax expense for the half-year	-	-	-	(1,965,234)	(18,660)	(1,983,894)
Other comprehensive income/(loss) for the half-year, net of tax	-	80,561	-	-	407	80,968
Total comprehensive income/(loss) for the half-year	-	80,561	-	(1,965,234)	(18,253)	(1,902,926)
Vesting of share-based payments	-	-	490,350	-	-	490,350
Expiry of share options	-	-	(427,445)	427,445	-	-
Balance at 30 June 2020	<u>24,021,251</u>	<u>(81,033)</u>	<u>775,350</u>	<u>(16,592,545)</u>	<u>(7,422)</u>	<u>8,115,601</u>

Consolidated	Issued capital \$	Foreign currency translation reserve \$	Share based payment reserve \$	Accumulated losses \$	Non- controlling interest \$	Total equity \$
Balance at 1 January 2021	24,053,741	25,236	551,545	(17,915,981)	16	6,714,557
Profit/(loss) after income tax expense for the half-year	-	-	-	(1,699,199)	40,084	(1,659,115)
Other comprehensive income/(loss) for the half-year, net of tax	-	119,785	-	-	(66)	119,719
Total comprehensive income/(loss) for the half-year	-	119,785	-	(1,699,199)	40,018	(1,539,396)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 7)	10,935,126	-	-	-	-	10,935,126
Share-based payments	-	-	27,249	-	-	27,249
Balance at 30 June 2021	<u>34,988,867</u>	<u>145,021</u>	<u>578,794</u>	<u>(19,615,180)</u>	<u>40,034</u>	<u>16,137,536</u>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

De.mem Limited
Consolidated statement of cash flows
For the half-year ended 30 June 2021

	Note	Consolidated 30 June 2021 \$	30 June 2020 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		8,427,385	7,395,622
Payments to suppliers and employees (inclusive of GST)		<u>(10,084,247)</u>	<u>(8,441,116)</u>
		(1,656,862)	(1,045,494)
Proceeds from grant income		-	236,000
Interest received		4,399	18,843
Other receipts		189,919	-
Interest and other finance costs paid		(67,436)	(46,276)
Income taxes paid		<u>(17,950)</u>	<u>(39,694)</u>
Net cash used in operating activities		<u>(1,547,930)</u>	<u>(876,621)</u>
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	10	(3,180,081)	-
Payments for property, plant and equipment		(572,686)	(613,766)
(Investment) in/proceeds from settlement of term deposits		<u>9,186</u>	<u>(2,670,000)</u>
Net cash used in investing activities		<u>(3,743,581)</u>	<u>(3,283,766)</u>
Cash flows from financing activities			
Proceeds from issue of shares		10,609,981	-
Share issue transaction costs		(704,864)	-
Repayment of borrowings		(57,000)	(609,904)
Proceeds from borrowings		45,076	-
Repayment of lease liabilities		<u>(126,746)</u>	<u>(128,131)</u>
Net cash from/(used in) financing activities		<u>9,766,447</u>	<u>(738,035)</u>
Net increase/(decrease) in cash and cash equivalents		4,474,936	(4,898,422)
Cash and cash equivalents at the beginning of the financial half-year		4,638,117	7,750,210
Effects of exchange rate changes on cash and cash equivalents		<u>46,004</u>	<u>32,749</u>
Cash and cash equivalents net of bank overdraft at the end of the financial half-year		<u><u>9,159,057</u></u>	<u><u>2,884,537</u></u>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

De.mem Limited
Notes to the consolidated financial statements
30 June 2021

Note 1. General information

The financial statements cover De.mem Limited as a consolidated entity consisting of De.mem Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is De.mem Limited's functional and presentation currency.

De.mem Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 4, 96-100 Albert Road
South Melbourne VIC 3205
Australia

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2021.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2021 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Segment Reporting

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the consolidated entity that are regularly reviewed by the Directors in order to allocate resources to the segment and to assess its performance. Information regarding these segments is presented below. The accounting policies of the reportable segments are the same as the consolidated entity's accounting policies. The following tables are an analysis of the consolidated entity's revenue and results by reportable segment provided to the Directors.

De.mem Limited
Notes to the consolidated financial statements
30 June 2021

Note 3. Segment Reporting (continued)

Consolidated - 30 June 2021	Singapore \$	Australia \$	Germany \$	Other \$	Total \$
Revenue					
Revenue from external customers	117,047	7,727,789	1,480,703	-	9,325,539
Intersegment revenue	(4,596)	(171,270)	-	-	(175,866)
Total revenue	<u>112,451</u>	<u>7,556,519</u>	<u>1,480,703</u>	<u>-</u>	<u>9,149,673</u>
EBITDA	(456,276)	(379,437)	205,293	(477,238)	(1,107,658)
Depreciation and amortisation	(86,910)	(145,528)	(21,064)	(185,321)	(438,823)
Finance costs	(2,878)	(58,617)	(5,940)	-	(67,435)
Share based payments expense	-	-	-	(27,249)	(27,249)
Profit/(loss) before income tax expense	<u>(546,064)</u>	<u>(583,582)</u>	<u>178,289</u>	<u>(689,808)</u>	<u>(1,641,165)</u>
Income tax expense					(17,950)
Profit/(loss) after income tax expense					<u>(1,659,115)</u>
Segment result	<u>(546,064)</u>	<u>(583,582)</u>	<u>178,289</u>	<u>(689,808)</u>	<u>(1,641,165)</u>
Assets					
Segment assets	2,389,499	10,320,061	980,968	19,392,458	33,082,986
Intersegment eliminations					(9,914,527)
Total assets					<u>23,168,459</u>
Liabilities					
Segment liabilities	1,546,680	8,917,103	667,731	5,821,291	16,952,805
Intersegment eliminations					(9,921,882)
Total liabilities					<u>7,030,923</u>
Consolidated - 30 June 2020	Singapore \$	Australia \$	Germany \$	Other \$	Total \$
Revenue					
Revenue from external customers	217,317	5,220,235	1,015,919	-	6,453,471
Intersegment revenue	(84,403)	(21,649)	-	-	(106,052)
Total revenue	<u>132,914</u>	<u>5,198,586</u>	<u>1,015,919</u>	<u>-</u>	<u>6,347,419</u>
EBITDA	(39,675)	(556,326)	(87,897)	(514,523)	(1,198,421)
Depreciation and amortisation	(41,786)	(156,709)	(12,202)	(85,800)	(296,497)
Finance costs	(212,933)	(26,709)	(90)	-	(239,732)
Share based payments expense	-	-	-	(209,550)	(209,550)
Profit/(loss) before income tax expense	<u>(294,394)</u>	<u>(739,744)</u>	<u>(100,189)</u>	<u>(809,873)</u>	<u>(1,944,200)</u>
Income tax expense					(39,694)
Profit/(loss) after income tax expense					<u>(1,983,894)</u>
Segment result	<u>(294,394)</u>	<u>(739,774)</u>	<u>(100,189)</u>	<u>(809,873)</u>	<u>(1,944,230)</u>
Consolidated - 31 December 2020					
Assets					
Segment assets	1,151,454	3,525,768	375,416	16,247,473	21,300,111
Intersegment eliminations					(6,665,886)
Total assets					<u>14,634,225</u>
Liabilities					
Segment liabilities	5,932,109	4,664,710	196,095	889,152	11,682,066
Intersegment eliminations					(6,576,018)
Total liabilities					<u>5,106,048</u>

De.mem Limited
Notes to the consolidated financial statements
30 June 2021

Note 4. Revenue

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Rendering of services \$	Sale of goods \$	Contracting revenue \$	Total \$
Consolidated - 30 June 2021				
<i>Geographical regions</i>				
Australia	1,436,631	2,433,395	3,682,167	7,552,193
Singapore	117,047	-	-	117,047
Germany	-	1,480,703	-	1,480,703
	<u>1,553,678</u>	<u>3,914,098</u>	<u>3,682,167</u>	<u>9,149,943</u>
<i>Timing of revenue recognition</i>				
Goods transferred at a point in time	-	3,914,098	-	3,914,098
Services transferred at a point in time	1,553,678	-	-	1,553,678
Services transferred over time	-	-	3,682,167	3,682,167
	<u>1,553,678</u>	<u>3,914,098</u>	<u>3,682,167</u>	<u>9,149,943</u>
Consolidated - 30 June 2020				
<i>Geographical regions</i>				
Australia	1,234,085	2,003,325	1,955,738	5,193,148
Singapore	88,094	50,258	-	138,352
Germany	-	1,015,919	-	1,015,919
	<u>1,322,179</u>	<u>3,069,502</u>	<u>1,955,738</u>	<u>6,347,419</u>
<i>Timing of revenue recognition</i>				
Goods transferred at a point in time	-	3,069,502	-	3,069,502
Services transferred at a point in time	1,322,179	-	-	1,322,179
Services transferred over time	-	-	1,955,738	1,955,738
	<u>1,322,179</u>	<u>3,069,502</u>	<u>1,955,738</u>	<u>6,347,419</u>

Note 5. Current assets - cash and cash equivalents

	Consolidated 30 June 2021 \$	31 December 2020 \$
Cash on hand	-	2,683
Cash at bank	9,238,801	1,428,808
Cash on deposit	-	3,206,626
	<u>9,238,801</u>	<u>4,638,117</u>

De.mem Limited
Notes to the consolidated financial statements
30 June 2021

Note 6. Current assets - trade and other receivables

	Consolidated	
	30 June 2021	31 December 2020
	\$	\$
Trade receivables	2,904,924	1,440,800
Less: Allowance for expected credit losses	(6,415)	-
	<u>2,898,509</u>	<u>1,440,800</u>
Other receivables	<u>256,385</u>	<u>53,844</u>
	<u><u>3,154,894</u></u>	<u><u>1,494,644</u></u>

Note 7. Equity - issued capital

	Consolidated			
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>216,650,572</u>	<u>175,561,009</u>	<u>34,988,867</u>	<u>24,053,751</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 January 2021	175,561,009		24,053,751
Placement	23 March 2021	32,142,856	\$0.28	9,000,000
Issue of shares as partial consideration for business acquisition	31 March 2021	3,196,773	\$0.32	1,030,000
Share Purchase Plan	21 April 2021	5,749,934	\$0.28	1,609,981
Capital raising costs		-	\$0.00	(704,865)
Balance	30 June 2021	<u>216,650,572</u>		<u>34,988,867</u>

Note 8. Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Note 8. Fair value measurement (continued)

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 30 June 2021	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<i>Liabilities</i>				
Deferred consideration payable for business acquisitions	-	662,564	-	662,564
Total liabilities	-	662,564	-	662,564

There were no transfers between levels during the financial half-year.

Note 9. Contingent liabilities

On 30 September 2019 the Company acquired 75% of the ordinary shares of Geutec Umwelt- und Abwassertechnik GmbH (Geutec) for total consideration transferred of \$917,169.

The seller holds a put option to sell the remaining 25% of the shares in Geutec to De.mem, and De.mem holds a call option to acquire the remaining 25% from the seller. The valuation is based on 5x the EBIT (Earnings before Interest and Taxes) of Geutec as per Geutec' last financial statements prior to the exercise of the option.

At 30 June 2021, management have assessed that this outcome is possible, but not probable. This will be reassessed in future reporting periods.

As at 30 June 2021 there are \$180,461 in non-current and \$282,461 in current term deposits held, representing bank warranties relating to two projects and the completion of the defect liability period.

Note 10. Business combinations

Capic Business acquisition

On 1 April 2021, the Company announced the acquisition of the Capic business, being the assets and liabilities of the business at the date of acquisition. Capic is a well established, Perth-based supplier of "high value add" specialty chemicals with a high-quality institutional customer base including BHP Billiton, Northern Star, Pilbara Minerals and Iluka Resources. The Company acquired the Capic business for \$4,572,645 total consideration, comprising 3,196,773 fully paid ordinary shares at a price of \$0.3222 per share, a net cash settlement of \$3,180,082 and the fair value of deferred contingent consideration of \$362,564.

Note 10. Business combinations (continued)

The maximum total consideration for the acquisition of the Capic Business' net identifiable assets is \$5.1 million, comprising up to \$3.7 million cash and up to \$1.4 million in shares, as follows:

Base acquisition consideration:

Base Acquisition Consideration of \$4.4 million payable upon completion of acquisition, comprising \$3.4m cash and \$1.0m DEM shares (issued at 30-day VWAP as at the the day prior to this announcement). All shares issued to the vendor will be under voluntary escrow for a period of 24 months from completion; and

Contingent consideration:

Contingent consideration of \$750 thousand, comprising three separate settlements of \$250 thousand each, payable 50% in cash and 50% in De.mem shares, subject to the satisfaction of revenue milestones. Settlement of the contingent consideration achieved will be made in accordance with the terms of the acquisition agreement and if achieved will take place in Q1 2022, 2023 and 2024, respectively.

The revenue milestone criteria are as follows:

Milestone 1: Revenue growth of at least 15% in the 12 months ended 31 December 2021 as compared to the 12 months ended 31 December 2020;

Milestone 2: Revenue growth of at least 35% in the 12 months ended 31 December 2022 as compared to the 12 months ended 31 December 2020;

Milestone 3: Revenue growth of at least 60% in the 12 months ended 31 December 2023 as compared to the 12 months ended on 31 December 2020.

At the date of acquisition, management has assessed the likelihood of achieving the aforementioned contingent future consideration and have recognised a contingent liability in accordance with AASB 3 Business Combinations.

The acquisition has been accounted for under AASB3 Business combinations. The provisional fair value of customer relationships of \$3,618,275 represents the value of future benefits that will accrue to the Group in the future from the Capic business' customer base on the date of acquisition. The acquired business contributed revenues of \$957,713 and loss after tax of \$183,287 to the consolidated entity for the period from the date of acquisition to 30 June 2021.

De.mem Limited
Notes to the consolidated financial statements
30 June 2021

Note 10. Business combinations (continued)

Details of the provisional fair values of the identifiable net assets upon acquisition are as follows:

	Provisional fair value \$
Other receivables	1,670
Inventories	286,525
Plant and equipment	495,200
Customer relationships	3,980,839
Employee benefits	<u>(191,589)</u>
Net assets acquired	4,572,645
Goodwill	<u>-</u>
Acquisition-date fair value of the total consideration transferred	<u><u>4,572,645</u></u>
Representing:	
Cash paid or payable to vendor	3,180,081
De.mem Limited shares issued to vendor	1,030,000
Contingent consideration	<u>362,564</u>
	<u><u>4,572,645</u></u>
Acquisition costs expensed to profit or loss	<u><u>46,671</u></u>
Cash used to acquire business, net of cash acquired:	
Acquisition-date fair value of the total consideration transferred	4,572,645
Less: contingent consideration	(362,564)
Less: shares issued by company as part of consideration	<u>(1,030,000)</u>
Net cash used	<u><u>3,180,081</u></u>

Note 11. Events after the reporting period

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.


De.mem Limited
Directors' declaration
30 June 2021

In the directors' opinion:

- The consolidated interim financial statements and notes comply with the Corporations Act 2001, and Australian Accounting Standard AASB 134 'Interim Financial Reporting' and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Mr Andreas Kroell
Chief Executive Officer and Director

30 August 2021
Melbourne

De.mem Limited

Independent auditor's review report

Report on the Review of the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of De.mem Limited (the Company) and the entities it controlled at the half-year's end or from time to time during the half year (the consolidated group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of De.mem Limited is not in accordance with the *Corporations Act 2001* including:

- a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2021 and of its performance for the half year ended on that date; and
- b) complying with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibility of Management for the Financial Report

The directors of the De.mem Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

ACCOUNTANTS & ADVISORS

Level 20, 181 William Street
Melbourne VIC 3000

Telephone: +61 3 9824 8555

williambuck.com

Auditor's Responsibilities for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 30 June 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

William Buck

William Buck Audit (Vic) Pty Ltd

ABN: 59 116 151 136

A handwritten signature in black ink, appearing to read 'N.S. Benbow'.

N.S. Benbow

Director

Melbourne, 30 August 2021

For personal use only